

Message Text

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PAGE 01 LONDON 03838 081105Z

ACTION EB-08

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC IMMEDIATE 1346

C O N F I D E N T I A L LONDON 03838

FOR KATZ (STATE), DAVENPORT (DOT), ROBSON (CAB)
PASS WHITE HOUSE FOR JOHNSTON AND COMMERCE FOR TOLO.

E.O. 11652: N/A

TAGS: EAIR, UK

SUBJECT: US-UK CIVAIR NEGOTIATIONS: REPORT ON WEST
COAST CAPACITY ISSUE

1. UKDEL IS PRESSING HARD ON CERTAIN CURRENT ISSUES
RELATED TO BILATERAL, BUT WHICH USDEL DOES NOT ACCEPT
AS PART OF RENEGOTIATION. PRINCIPAL SUCH ISSUE IS
U.S. WEST COAST-LONDON CAPACITY PLANNED BY PANAM, TWA
FOR SUMMER 1977.

2. USDEL-UKDEL WORKING GROUP MET MARCH 2 AND 7 TO
REVIEW TRAFFIC AND CAPACITY FORECASTS ON WEST COAST-
LONDON ROUTES DURING 1977. BRITISH AIRWAYS (BA)
CONCLUDES OVERALL TRAFFIC GROWTH WOULD BE 8 PERCENT
IN 1977; USDEL FORECASTS 15-20 PERCENT GROWTH. UKDEL
MAINTAINS THAT PROPOSED CAPACITY INCREASE BY PANAM
AND TWA IS EXCESSIVE, SINCE EACH AIRLINE IN LATE APRIL
IS STARTING NONSTOP, VICE PRESENT ONE STOP, SAN FRAN-
CISCO-LONDON SERVICE. USDEL MAINTAINS SHORTAGE OF
CAPACITY AND EXPERIENCED 1976 GROWTH OF OVER 30 PERCENT
IN THE MARKET JUSTIFIES PROPOSED NEW SERVICE.

CONFIDENTIAL

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PAGE 02 LONDON 03838 081105Z

3. MAJOR UK CONCERN IS THAT US CARRIER ACTION PREEMPTS
BA ABILITY TO ENTER SF MARKET UNDER DESIRED NEW
BILATERAL. OTHER STATED UK CONCERNS ARE (A) DIVERSION
OF TRAFFIC FROM BA, SINCE BA OPERATES LA-LONDON BUT HAS
NO SF RIGHTS (EXCEPT VIA NEW YORK, NOT OPERATED), AND
(B) PROVOCATIVE ASPECT OF STARTING NEW SERVICE BY TWO

CARRIERS LESS THAN TWO MONTHS BEFORE CURRENT AGREEMENT ENDS.

4. KEY US CONCERNS ARE HIGH LOAD FACTORS ON WEST COAST ROUTES WITHOUT NEW SERVICE, NEED FOR ADDITIONAL CAPACITY TO ACCOMMODATE THE TRAVELING PUBLIC. TACTICALLY, UKDEL ATTEMPTING TO ESTABLISH PRECEDENT FOR A PRIORI CAPACITY DETERMINATION AS WELL AS TO MAINTAIN OPPORTUNITY FOR BA TO ENTER SF-LONDON NONSTOP MARKET.

5. WHILE US ANALYSIS SHOWS HIGH OVERALL SEAT FACTOR ON WEST COAST-LONDON ROUTES WITH PROPOSED SERVICES, THE UK HAS INDICATED THAT CAPACITY INCREASE SHOULD BE CUT BY 60 PERCENT. WORKING GROUP DISCUSSIONS REVEALED THAT UK FORECAST (WHICH ASSUMES NEW US CAPACITY WILL BE ADDED AT SF) IS FOR 77 PERCENT SEAT FACTOR ON BA SERVICES, LA-LONDON, IN SUMMER 1977. THIS HIGH SEAT FACTOR PROJECTION UNDERCUTS UKDEL ARGUMENT THAT BA WOULD BE HURT BY ADDITION OF US FLAG CAPACITY. BA CANNOT ACCOMMODATE TRAFFIC DEMAND AT THIS HIGH LOAD FACTOR.

6. USDEL IS OF VIEW IT SHOULD NOT ATTEMPT TO INFLUENCE US CARRIERS TO ROLL BACK THEIR PLANNED CAPACITY. USDEL POSITION IS THAT PANAM, TWA ACTION CONSISTENT WITH EXISTING AGREEMENT. UK POSITION UNDERSTANDABLE IN VIEW OF BA'S NOT SERVING SF, DESIRE TO SERVE SF IN FUTURE, AS WELL AS UK DESIRE TO HAVE ONLY ONE US CARRIER IN EACH MARKET. NONETHELESS, BILATERAL DOES NOT SUPPORT UKDEL POSITION.

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PAGE 03 LONDON 03838 081105Z

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Message Attributes

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